

CDBG Method of Distribution Changes Being Considered:

1. Require Regulatory Agency Coordination to Apply for Water or Sewer System Planning-Only Grant

In 2010, the CDBG program initiated a feedback form with the Department of Health (DOH) for drinking water planning proposals and the Department of Ecology (DOE) for sewer planning proposals to determine the level of need for the plan and ensure the required planning elements were included in the grant's scope of work if funded. CDBG is considering incorporating this early coordination step and requiring a similar form as part of the application for water and sewer planning.

- + This inter-agency coordination process resulted in improved coordination between the local government applicant and the regulatory agency and more effective investment of 2010 CDBG Planning-Only Grants.
- + The additional documentation would confirm the urgency and level of need for planning, since some plans, such as Small Water System Management Plans, are not necessarily required within the year or to address an existing local public health issue, and DOH has technical assistance resources to offer the community.
- It will require early steps be completed by the applicant and add another form to the CDBG Planning-Only Grant application.
- In 2010, grant requests exceeded available funding and many of the amounts requested were based on planning scopes of work developed by the applicant without consultation with the regulatory agency.

2. Funding Each Project Category with General Purpose Grants

Fund the highest ranking application receiving at least the 65 point minimum from each prioritized project category and then fund the highest ranking applications within the pool of applicants. Project categories prioritized from the 2010 Consolidated Plan assessment include: streets, sewer, economic development, water, community facility.

- + Ensures funding for at least one grant for each type of project categories prioritized by the 2009 community needs survey and Commerce in support of the 5-year Consolidated Plan strategies.
- An application receiving a higher score may not be funded.
- In 2010, the highest scoring street project received 66 points and was a good application, yet funds were not available. The other prioritized project categories were represented in the 2010 awards.

3. Set-aside \$1 million within the General Purpose Grant fund for Qualifying Micro-Enterprise Assistance Proposals

Currently the micro-enterprise assistance applications are reviewed with the other, primarily construction, General Purpose Grant applications. Instead, CDBG would conduct an application rating and selection process customized for micro-enterprise assistance applications, setting aside up to \$1 million for qualifying proposals and maintaining the maximum grant of \$250,000. Unobligated funds would become available for the other General Purpose Grant applications.

- + Provides access to capital to create jobs in rural areas and address this Commerce priority.

- + Revised application questions and review process will improve the ability to have the necessary information for good funding decisions and will still require a minimum score for funding.
- A construction application receiving a higher score may not be funded.
- Adds complexity and possibly more review time to the General Purpose Grant application cycle.
- In 2010, the one micro-enterprise assistance application out of 4 received a high enough score to be funded.

4. Fund Public Services through a Formula or Competitive Distribution Method

Since 1993 the state has annually allocated over \$1.5 million to counties to fund public services provided by 12 rural community action agencies using the Community Services Block Grant's poverty data-based formula. We will be conducting a survey for input on the best method for CDBG funding of public services and asking whether to:

1. Continue to set aside a portion of the state CDBG award to fund public services for only the currently funded 12 counties and community action agencies.
2. Transfer the public service set-aside funds into the existing CDBG General Purpose Grant process to fund the most competitive public service, infrastructure, economic development and capital projects among the CDBG eligible rural cities and counties

Considerations:

- The current process allows only the 12 counties and community action agencies access to CDBG public services funding. However, this distribution method results in dependable funding for essential services covering all rural, non-entitlement areas of the state.
- By integrating CDBG and CSBG funds through the use of the CSBG formula, state CDBG funds supplement CSBG funding of urban community action agencies not eligible for state CDBG funds.
- If incorporated into the General Purpose Grant process, public service applications would need to compete and may not score as high as construction, housing rehab or microenterprise assistance projects.
- The state can choose to use up to 15% of its annual allocation to fund public services.

5. Limit State CDBG-Funded Projects to Non-Entitlement Locations

The state CDBG program receives HUD funds to fund activities in the more rural areas of the state that are not entitled to direct CDBG funding from HUD. HUD provided guidance discouraging state CDBG funding of projects located in jurisdictions entitled to receive direct HUD funding. The current state policy requires these proposals document that state CDBG is not funding more than the proportion of the non-entitlement area population to be served.

- + HUD's guidance strongly discourages the state CDBG funding projects located in a CDBG entitlement area to ensure that state funds only benefit non-entitlement area residents.
- + If a project is proposed to be located in an entitlement area, it is difficult to clearly determine the proportion of entitlement/non-entitlement area beneficiaries and financial contributions to ensure eligibility for state CDBG funds.
- Centrally locating community facilities in more urban areas can reduce decentralized duplication of services, increase service coordination, support land use planning and sustainability.
- In 2010, the state received one community facility application and one micro-enterprise assistance application for projects to be located in an entitlement jurisdiction and to principally serve non-entitlement area residents. These were uncompetitive for funding.